

EXHIBIT 1

INTRODUCTION

Respondent Planned Parenthood Advocates Mar Monte (“Planned Parenthood”) was a state general purpose recipient committee located in Sacramento. At all relevant times, Respondent Ann Harrington was the treasurer of Respondent Planned Parenthood. This case arose from an audit of Respondents by the Franchise Tax Board (“FTB”) for the reporting period January 1, 2001 through December 31, 2002.

During the audit period, Respondents reported receiving contributions totaling \$227,715, and making expenditures totaling \$229,977. The Political Reform Act requires every committee and its treasurer to maintain specific records regarding the committee’s activities, and requires that expenditures of \$100 or more made by the committee be itemized and disclosed on appropriate campaign statements. In this matter, Respondents failed to maintain the required records regarding some of the contributions they received, and failed to properly itemize and disclose some of the expenditures they made during the audit period.

For the purposes of this stipulation, Respondents’ violations of the Political Reform Act (the “Act”)¹ are stated as follows:

COUNT 1: Respondents Planned Parenthood Advocates Mar Monte and Ann Harrington failed to maintain proper records of contributions received totaling \$16,168 for the reporting period January 1, 2001 through December 31, 2002, in violation of section 84104 of the Government Code.

COUNT 2: Respondents Planned Parenthood Advocates Mar Monte and Ann Harrington failed to properly itemize 17 expenditures of \$100 or more, totaling \$10,462, on the semi-annual campaign statement for the reporting period January 1, 2001 through June 30, 2001, filed on August 2, 2001, in violation of section 84211, subdivision (k) of the Government Code.

COUNT 3: Respondents Planned Parenthood Advocates Mar Monte and Ann Harrington failed to properly itemize 9 expenditures of \$100 or more, totaling \$7,121, on the semi-annual campaign statement for the reporting period July 1, 2001 through December 31, 2001, filed on January 11, 2002, in violation of section 84211, subdivision (k) of the Government Code.

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, in order for voters to be better informed and improper practices inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

Duty to Maintain Campaign Records

To ensure accurate campaign reporting, section 84104 imposes a mandatory duty on each candidate, treasurer, and elected officer to maintain the detailed accounts, records, bills, and receipts that are necessary to prepare campaign statements, and to comply with the campaign reporting provisions of the Act.

Under regulation 18401, subdivisions (a)(1) through (a)(5), this duty includes maintaining original source documentation and specific information for all contributions received by the candidate or committee. Original source documentation consists of cancelled checks, wire transfers, credit card slips, receipts, invoices, statements, vouchers, and any other documents reflecting obligations incurred by the candidate, elected officer, campaign treasurer, or committee, and any disbursements made from the campaign bank account.

Duty to Itemize and Disclose Expenditures of \$100 or More

Section 84211, subdivision (k) requires candidates, committees and treasurers to itemize and disclose specific information on their campaign statements for each expenditure of \$100 or more made during the applicable reporting period. This information includes: 1) the full name and street address of the payee; 2) the amount of the expenditure; and 3) a brief description of the consideration for which the expenditure was made.

Liability of Committee Treasurers

Under section 81004, subdivision (b), section 84100, and regulation 18427, subdivision (c), it is the duty of a committee's treasurer to ensure that the committee complies with all of the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.)

SUMMARY OF THE FACTS

Respondent Planned Parenthood was a multi-purpose organization and a non-profit benefit corporation, which had tax exempt status under section 501(c)(4) of the Internal Revenue Code. Respondent Planned Parenthood was affiliated with Planned Parenthood Mar Monte, Inc. ("PPMM Inc."), a non-profit charitable organization formed under section 501(c)(3) of the Internal Revenue Code. PPMM Inc. is prohibited by Federal tax law from spending funds in connection with any election activity.

As required under the Act, Respondent Planned Parenthood registered as a state general purpose recipient committee for purposes of reporting any state related electoral activity. PPM Inc. and Respondent Planned Parenthood were separate entities for legal purposes, and their relationship was governed by grant agreements. During the audit period, Respondent Planned Parenthood received some of its funds from PPM Inc., which were earmarked for Respondent Planned Parenthood's primary purpose in conducting state lobbying activity. In addition to California state campaign activities, Respondent Planned Parenthood also conducted educational and advocacy activities, as well as federal campaign activities and campaign activities in the state of Nevada, utilizing the same bank account.

Respondent Planned Parenthood's campaign records included receipts and expenditures for state related electoral activity, as well as federal and out-of-state electoral activity, the latter of which did not need to be reported on campaign statements filed by Respondent Planned Parenthood. The records also included activity of Respondent Planned Parenthood which was not related to any state electoral activity.

Prior to the FTB audit, Respondent Planned Parenthood terminated as a recipient committee with the Secretary of State's office, and retained the services of a Sacramento political law firm. Respondents opened new committees to separate the California state electoral activity from other electoral activities. Respondents also retained legal and reporting professionals to ensure future compliance with the Act's campaign reporting requirements.

COUNT 1

Failure to Maintain Adequate Campaign Records

For the audit period January 1, 2001 through December 31, 2002, Respondents failed to properly maintain campaign records for monetary and non-monetary contributions received totaling \$16,168. Respondents kept detailed financial records, but they were not maintained in a single location. Respondent Planned Parenthood had six regional offices, which had their own fundraising divisions, and documentation of funds raised was kept separately within each region. Despite reasonable efforts, Respondents were unable to locate copies of contributor checks or adequate records to support the receipt of \$16,168 in contributions received during the audit period.

Respondents violated section 84104 by failing to maintain adequate records to support the receipt of monetary and non-monetary contributions totaling \$16,168 during the audit period.

COUNT 2

Failure to Itemize Expenditures of \$100 or More

According to the FTB audit, Respondents failed to itemize expenditures made during the reporting period January 1, 2001 through June 30, 2001. On the campaign statement for this period, Respondents reported making expenditures totaling \$22,514, but listed that they were all "unitemized." According to the audit, \$10,462 of these expenditures were in amounts of \$100 or more, and therefore, should have been itemized. This constitutes a 46% reporting error for failing to properly itemize \$10,462 in expenditures on this campaign statement.

Respondents violated section 84211, subdivision (k) by failing to properly itemize expenditures of \$100 or more, totaling \$10,462, on the semi-annual campaign statement filed for the reporting period January 1, 2001 through June 30, 2001.

COUNT 3

Failure to Itemize Expenditures of \$100 or More

According to the FTB audit, Respondents failed to itemize expenditures made during the reporting period July 1, 2001 through December 31, 2001. On the campaign statement for this period, Respondents reported making expenditures totaling \$7,136, but listed that they were all “unitemized.” According to the audit, \$7,121 of these expenditures were in amounts of \$100 or more, and therefore, should have been itemized. This constitutes a 99% reporting error for failing to properly itemize \$7,121 in expenditures on this campaign statement.

Respondents violated section 84211, subdivision (k) by failing to properly itemize expenditures of \$100 or more, totaling \$7,121, on the semi-annual campaign statement filed for the reporting period July 1, 2001 through December 31, 2001.

CONCLUSION

This matter consists of three possible counts, which carry a maximum possible administrative penalty of Fifteen Thousand Dollars (\$15,000).

Respondents were negligent in failing to properly maintain copies of contributor cards, credit card receipts, and contributor valuation letters for a significant amount of contributions that were received totaling \$16,168. Respondents were also negligent in failing to properly itemize and disclose expenditures totaling \$17,583 over a two-year period.

In mitigation, other than the above reporting errors, Respondents substantially complied with the Act’s reporting requirements, and timely filed all of their campaign statements over the two-year audit period. In addition, and prior to the FTB audit, Respondent Planned Parenthood terminated as a recipient committee with the Secretary of State’s office, retained the services of a Sacramento political law firm, and opened new committees to separate their California state activity from their other electoral activities. Respondents also retained legal and reporting professionals to ensure future compliance with the Act’s campaign reporting requirements.

Administrative penalties for the failure to maintain campaign records, and to properly itemize or disclose expenditures made by a committee, have ranged from the lower to middle end of the penalty range depending on the particular circumstances of a case. In this matter, the total amount of the contributions for which records were not maintained, and the total amount of unitemized expenditures were fairly significant. Therefore, an administrative penalty in the middle range for Counts 1 through 3 is appropriate.

The facts of this case, including the aggravating and mitigating circumstances addressed above, justify the imposition of the agreed upon administrative penalty of Seven Thousand Five Hundred Dollars (\$7,500).